

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /087 W

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R 181602Z DEC 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1988

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

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GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: A) STATE 287116 B) STATE 276773

1. U.S. POSITION ON RECIPROCITY IN TROPICAL PRODUCTS CONTEXT
RAISED WITH ACTING MINISTER OF ECONOMY VICENTE DIAZ. HE NOTED
PRESENTATION AND STATED IT WOULD BE TAKEN UNDER STUDY. HE
WELCOMED THE OPPORTUNITY TO DISCUSS NEGOTIATIONS OF THIS NATURE.
LETTER FROM AMBASSADOR DENT ON THE SITUATION PRESENTED TO GOH.

2. IN GENERAL, GOH IS BOUND BY CENTRAL AMERICAN COMMON MARKET
(CACM) COMMITMENTS ON TARIFFS FOR A SIGNIFICANT RANGE OF HONDURAN
IMPORTS OF PRODUCTS PRODUCED REGIONALLY. IN THIS CONTEXT, U.S.
POSITION MIGHT BE TO SEEK LOWER REGIONAL TARIFFS, ESPECIALLY FOR
CACM PROTECTIVE LEVELS FOR INDUSTRIES WHICH HAVE BEEN WELL

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ESTABLISHED THROUGH THE PAST DOZEN OR SO YEARS. SUCH AN EFFORT

WOULD PROMOTE MTN OBJECTIVE OF GENERAL REDUCTION OF TARIFF BARRIERS AND INSERT BENEFICIAL COMPETITIVE ELEMENT INTO CACM.

3. ANOTHER (POSSIBLY PARALLEL) APPROACH MIGHT HAVE BROADER APPLICABILITY, BUT IT SPECIFICALLY RELATES TO HONDURAS. WE SUGGEST THAT CONSIDERATION BE GIVEN TO PROPOSING THAT DEVELOPING COUNTRIES BIND THEMSELVES TO NOT RAISE EXPORT TAX LEVELS ON THOSE PRODUCTS RECEIVING U.S. TARIFF CONCESSIONS. OTHERWISE, COUNTRIES COULD EASILY RAISE EXPORT TAXES BY AN EQUIVALENT AMOUNT, THE END RESULT BEING THAT BENEFITS WOULD NOT ACCRUE TO EITHER THE U.S. CONSUMER (BY LOWER PURCHASE PRICES) OR TO THE LDC PRODUCER (BY HIGHER SALES PRICES). THE EFFECT WOULD CLEARLY BE A TRANSFER FROM THE U.S. TREASURY TO THE LDC TREASURY. WE BELIEVE THAT FOLLOWING THIS RECOMMENDATION WOULD ALLOW FULLER ACHIEVEMENT OF THE MTN OBJECTIVE OF OBTAINING ADVANTAGES THROUGH INCREASED TRADE AND PRODUCTION.

4. OUR RECOMMENDATION IS PROMPTED BY EXPERIENCES IN HONDURAS, WHERE THE GOH HAS RECENTLY IMPOSED EXPORT CHARGES ON BANANAS, COFFEE, MINERALS AND SOME OTHER AGRICULTURAL PRODUCTS. FURTHER, THE GOH IS STATE-TRADING ON LUMBER EXPORTS.

5. AN EMBASSY REVIEW OF THE HONDURAN TARIFF STRUCTURE DIRECTLY AFFECTING U.S. IMPORTS TO THIS COUNTRY WOULD INDICATE SPECIFIC ITEMS UPON WHICH RECIPROCAL REDUCTIONS MIGHT BE SOUGHT. THESE WOULD INCLUDE VEHICLE SPARE PARTS, SYNTHETIC FIBERS AND CLOTH, PLASTIC INTERMEDIATE AND FINISHED ARTICLES AND ELECTRICAL AND INDUSTRIAL MACHINERY. THIS LIST IS QUITE TENTATIVE AND HAS NOT BEE SUBJECT OF DISCUSSION BETWEEN EMBASSY AND GOH.

COMMENT: THE HONDURAN TARIFF STRUCTURE IS AN IMPORTANT SOURCE OF CENTRAL GOVERNMENT REVENUE. THE 1975 BUDGET ANTICIPATED 38.4 PERCENT OF TOTAL GOVERNMENT TAX REVENUES WOULD BE OBTAINED FROM EXPORT (22 PERCENT) AND IMPORT TAX RECEIPTS. THE UTILIZATION OF TARIFFS TO PROVIDE PROTECTION FOR IMPORT SUBSTITUTION IN THE CACM AND THE TREND, AT LEAST IN HONDURAS, TO INCREASE EXPORT TAXES MIGHT BE USEFULLY APPROACHED IN THE TROPICAL PRODUCTS RECIPROCITY CONTEXT.
SANCHEZ

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